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SUBJECT: TOKYO VISIT BY U.S. SECRETARY OF COMMERCE GUTIERREZ

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¶1. (SBU) SUMMARY. On March 30, 2006, in Tokyo, Secretary of Commerce Carlos M. Gutierrez met with Japan's Minister of Economy, Trade and Industry; Minister of Health, Labor and Welfare; and Minister of Land, Infrastructure and Transport. He raised beef, enhanced cooperation on IPR protection and enforcement, medical devices and drug pricing and regulatory systems, tourism, and public works (design/construction). His counterparts raised topics including the Administration's Competitiveness Initiative, an issue regarding the WTO Government Procurement Agreement and Japan Railways companies, and whaling, and briefly mentioned DHS Secretary Chertoff's recent Tokyo visit and Transportation Secretary Mineta's participation in a recent security conference. END SUMMARY.

¶2. (SBU) Secretary of Commerce Carlos M. Gutierrez met with his ministerial counterparts at the Ministry of Economy, Trade and Industry (METI), Ministry of Health, Labor and Welfare (MHLW), and Ministry of Land, Infrastructure and Transport (MLIT) on March 30 in Tokyo, Japan. While in Tokyo, Secretary Gutierrez also gave a speech to the American Chamber of Commerce in Japan (ACCJ) on March 31 and participated in an event on March 30 with Mr. Ralph Lauren at the newly opened Polo Ralph Lauren store.

¶3. (SBU) METI MEETING: Secretary Gutierrez and Minister of Economy, Trade and Industry Toshihiro Nikai addressed several issues during their meeting including the Competitiveness Initiative and METI's New Economic Growth Strategy, IPR and other issues related to China, the new Joint Initiative by the Commerce Department and METI for Enhanced Cooperation on IPR and Other Issues, tourism, a possible new educational exchange program for Japan, beef, and whaling.

¶4. (SBU) After discussing Japan's victory in the World Baseball Classic, Minister Nikai said he applauded the State of the Union Address and was impressed by the Administration's Competitiveness Initiative. He explained that METI recently issued its New Economic Growth Strategy and noted that Japan's economy had been in a dark tunnel for 15 years and is now gradually emerging.

¶5. (SBU) When Minister Nikai asked about the Secretary's recent China visit, Secretary Gutierrez mentioned the

following areas with pending issues that need to be resolved: market access, IPR protection and enforcement, and transparency. Minister Nikai said he had urged Chinese Commerce Minister Bo Xilai during his February visit to Beijing to give further consideration to the importance of protecting IPR. Secretary Gutierrez encouraged Minister Nikai to continue his efforts. Secretary Gutierrez said the joint initiative that he and Minister Nikai would announce after their meeting would signal to many countries the importance of IPR protection and enforcement. Minister Nikai agreed.

16. (SBU) Secretary Gutierrez said he understood that Minister Nikai is an expert on tourism and asked for his insights on how to attract more Japanese tourists to the United States. Minister Nikai encouraged Commerce to continue its current activities and described his long involvement in the tourism issue, which included his participation in the first meeting of bilateral consultations on tourism at the Commerce Department about 15 years ago. He explained that he would like to introduce in Japan a scholarship program, modeled on the Fulbright Program, for students from Japan and other Asian countries and possibly some U.S. students.

17. (SBU) Secretary Gutierrez raised the beef issue, assuring Minister Nikai that U.S. beef is safe. Secretary Gutierrez said the U.S. Government is committed to ensuring there are no future incidents and urged Japan to open its market to U.S. beef imports. Minister Nikai said the beef issue is not in his portfolio, but he will give good thought to the Secretary's remarks. He said he has heard much about beef

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from USTR Portman and Agriculture Secretary Johanns when he has met them at WTO meetings. Minister Nikai briefly raised the whaling issue, stating his hope that the U.S. and Japanese Governments can respect each other's culinary cultures and put this issue behind us.

18. (SBU) JOINT INITIATIVE FOR ENHANCED COOPERATION ON IPR AND OTHER ISSUES: Immediately after their meeting, Secretary Gutierrez and Minister Nikai announced to the press a Joint Initiative between the Commerce Department and METI for Enhanced Cooperation on IPR and Other Issues. The Joint Initiative involves exchanging information, sharing resources, and working together to build stronger government-industry relationships to address IPR concerns, especially in third countries, by enhancing cooperation on IPR protection and enforcement. The Joint Initiative's activities include: developing best practices for government outreach to industry including SMEs, sharing information on enforcement activities, working together toward streamlining patent procedures and harmonizing patent laws, and strengthening technical assistance. In addition, the Commerce Department and METI will enhance cooperation on standards and conformity assessment, export controls, clean development and climate, and information technology security.

19. (SBU) MHLW MEETING: During his meeting with Minister of Health, Labor and Welfare Jiro Kawasaki, Secretary Gutierrez raised issues including beef and medical device and drug pricing and regulatory systems. On beef, Secretary Gutierrez said U.S. beef is safe. He explained that the U.S. Government is committed to meeting the standards and specifications in our agreement with Japan and ensuring there are no future incidents. He urged Minister Kawasaki to give full consideration to restoring imports of American beef.

110. (SBU) Minister Kawasaki responded that since the January incident, he and the MAFF Minister have been like sandbags, pummeled by the public with questions about how they could have allowed beef imports without having seen the U.S. facilities. They had explained that they based their decision on the relationship of trust between the United States and Japan. As a result of the government-to-government consultations during the week of March 27, Minister Kawasaki said he now understands the erroneous acts that resulted in the January incident. He

explained that the consultations went one step further to address how the U.S. Government can ensure the remaining 38 establishments will not make a similar mistake. Because the Commerce Secretary came all the way to see him for this meeting (held at 7:30 pm), he understands the important weight of this issue for the United States.

¶11. (SBU) On medical device and drug pricing, Secretary Gutierrez said he is surprised that Japan's pricing system does not reward innovation and deprives Japanese patients of the world's best devices and drugs. He said U.S. firms are very concerned that MHLW may decide to change prices every year instead of the current practice of every two years. He urged MHLW not to move to annual price cuts. Kawasaki responded that MHLW has introduced a pricing system that evaluates the innovativeness of a product. He said he made a commitment to Ambassador Schieffer on this issue last year and will make further efforts.

¶12. (SBU) Secretary Gutierrez expressed concern that Japan's slow regulatory system is preventing Japanese patients from having access to the most innovative products, noting that devices available in Japan are 3-4 generations behind those available in the United States and several new drugs are not available in Japan. He said he is aware of Japan's demographic challenges and the importance of innovative products. Secretary Gutierrez encouraged MHLW to speed up the regulatory approval process. On devices, Minister Kawasaki responded that as the staffing at the regulatory agency increases, he expects the pace of approvals to improve. On drugs, he said the only area where MHLW needs a new system is clinical trials and added that MHLW is making efforts in this area.

¶13. (SBU) Minister Kawasaki said MHLW recognizes it may need to revamp its healthcare system regarding how best to treat cancer and may move to using more innovative drugs and devices, in contrast to the past reliance on surgeries. Secretary Gutierrez encouraged Minister Kawasaki to let us

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know if we can help and said we also are interested in providing input for Japan's healthcare reform process.

¶14. (SBU) MLIT MEETING: During his meeting with Minister of Land, Infrastructure and Transport Kazuo Kitagawa, Secretary Gutierrez raised issues including tourism, public works (design/construction), and geostationary satellites. Minister Kitagawa raised an issue related to the WTO Government Procurement Agreement (GPA) and Japan Railways (JR) companies and briefly mentioned DHS Secretary Chertoff's recent Tokyo visit and Secretary Mineta's participation in a recent security conference.

¶15. (SBU) On tourism, Secretary Gutierrez said the Commerce Department plans to launch an advertising campaign this summer to encourage Japanese tourists to visit the United States and welcomed Minister Kitagawa's support. Kitagawa expressed support and noted the importance of exchanges between the citizens of our two countries particularly given the strength of our bilateral relationship. Secretary Gutierrez mentioned we are pleased Japan's economy is growing. Minister Kitagawa said Japan's economy has emerged from a dark tunnel, and spring is on its way.

¶16. (SBU) On public works, the Secretary explained that U.S. design and construction firms are eager to contribute their expertise to public works projects in Japan and encouraged MLIT to include them in projects covered by the 1988 Major Projects Arrangements (MPA) and 1994 Public Works Agreement, which includes the Action Plan. Minister Kitagawa responded that Prime Minister Koizumi's basic position is that Japan wholeheartedly welcomes FDI, and MLIT agrees with this approach. Secretary Gutierrez encouraged Minister Kitagawa to ensure that MPA procedures will be used for all procurements for the Central Japan International Airport. Minister Kitagawa said MLIT would continue its discussions with Commerce on this issue.

¶17. (SBU) On WTO GPA issues, Minister Kitagawa explained that Japan requested that three fully privatized JR companies be removed from GPA coverage and said MLIT would like the U.S. Government to withdraw its objection. He said he understands the U.S. Government has demanded that the operational safety of transportation exemption be removed. Minister Kitagawa explained that procurements for the safe operation of railways are very important and should continue to be exempted from the GPA. Secretary Gutierrez said he understands these issues are being discussed by USTR and the Japanese Government.

¶18. (SBU) On geostationary satellites, Secretary Gutierrez encouraged MLIT to continue its efforts particularly in the Western Pacific where we rely heavily on Japan. Kitagawa said he hopes for even stronger collaboration and noted that another satellite recently was launched. On other topics, Minister Kitagawa mentioned DHS Secretary Chertoff's recent Tokyo visit and Transportation Secretary Mineta's participation in a security conference that included several countries.

¶19. (SBU) PRESS COVERAGE: Secretary Gutierrez also had several press interviews on March 30. During an interview with Nihon Keizai Shimbun (Nikkei), he discussed his recent visit to China, including preparations for the upcoming Joint Committee on Commerce and Trade, the importance of US-Japan cooperation on promoting better protection of intellectual property around the world, and the safety of US beef. In response to a question on currency reform in China, the Secretary noted the concern in Congress on the Chinese

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currency and the yuan's impact on the US trade deficit. Nikkei misquoted and mischaracterized portions of the Secretary's remarks in a March 31 article. The article said

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he called for a further appreciation of the yuan and that he described the US bilateral trade deficit as the major cause of the overall global deficit. Embassy Press Office staff called Nikkei's editor responsible for the final version of the article to complain about the misquotes and mischaracterizations. The editor apologized for the sloppy reporting and said he would monitor future reporting more closely.

SCHIEFFER